

Introduced by Senator Scott

February 17, 2005

An act to amend and repeal Sections 84750 and 84760 of, and to add Section 84750.5 to, the Education Code, relating to community colleges.

LEGISLATIVE COUNSEL'S DIGEST

SB 361, as amended, Scott. Community colleges: ~~growth allocations for community college districts funding.~~

Existing law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges. Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law establishes a system for the apportionment of state funding to community college districts. This system is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

~~This bill would express the intent of the Legislature to enact legislation that will address the method by which community college districts receive growth allocations.~~*delete, as of July 1, 2006, the provision that establishes the current community college funding system for allocating state general apportionment revenues and the provision that governs the allocation of equalization funds to community college districts.*

The bill would establish, as of July 1, 2006, a new community college funding system. The bill would require the board of governors to develop criteria and standards to effectuate this system in

accordance with prescribed statewide minimum requirements. These statewide minimum requirements would include an acknowledgment of the need for community college districts to receive an annual allocation based on the number of colleges and comprehensive centers in the district, plus funding received based on the number of credit and noncredit FTES. The bill would specify the calculations required to determine the amount of the apportionments that districts would receive based on credit and noncredit FTES, although the bill would not specify the funding rate for noncredit instruction.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. It is the intent of the Legislature to enact~~
2 ~~legislation that will address the method by which community~~
3 ~~college districts receive growth allocations.~~

4 SECTION 1. Section 84750 of the Education Code is
5 amended to read:

6 84750. The board of governors, in accordance with the
7 statewide requirements contained in subdivisions (a) to (j),
8 inclusive, and in consultation with institutional representatives of
9 the California Community Colleges and statewide faculty and
10 staff organizations, so as to ensure their participation in the
11 development and review of policy proposals, shall develop
12 criteria and standards for the purposes of making the annual
13 budget request for the California Community Colleges to the
14 Governor and the Legislature, and for the purpose of allocating
15 the state general apportionment revenues.

16 In developing the criteria and standards, the board of governors
17 shall utilize and strongly consider the guidelines and work
18 products of the Task Force on Community College Financing as
19 established pursuant to Chapter 1465 of the Statutes of 1986, and
20 shall complete the development of these criteria and standards,
21 accompanied by the necessary procedures, processes, and
22 formulas for utilizing its criteria and standards, by March 1,
23 1990, and shall submit on or before that date a report on these
24 items to the Legislature and the Governor.

25 The board of governors shall develop the criteria and standards
26 within the following statewide minimum requirements:

1 (a) The calculations of each community college district's
2 revenue level for each fiscal year shall be based on the level of
3 general apportionment revenues (state and local) the district
4 received for the prior year plus any amount attributed to a deficit
5 of minimum workload growth, with revenue adjustments being
6 made for increases or decreases in workload, for program
7 improvement as authorized by this section or by any other
8 provision of law, for inflation, and for other purposes authorized
9 by law.

10 (b) (1) For credit instruction, the funding mechanism
11 developed pursuant to this section shall recognize the needs
12 among the major categories of operation of community colleges,
13 with categories established for instruction, instructional services
14 and libraries, student services, maintenance and operations, and
15 institutional support.

16 (2) The board of governors may propose to the Legislature, for
17 enactment by statute, other cost categories when adequate data
18 exist.

19 (3) Funding for noncredit classes shall be determined as
20 follows:

21 (A) The preliminary amount per noncredit full-time equivalent
22 student (FTES) for 1991–92 shall be equal to the comparable
23 amount for 1990–91 with increases corresponding to the
24 cost-of-living adjustment (COLA) specified in subdivision (e)
25 and corresponding to any program improvement provided to the
26 maintenance and operations category for 1991–92.

27 (B) Funds for maintenance and operations shall be included in
28 the funds derived under paragraph (4) of subdivision (c).

29 (C) Funds for institutional support will be derived as part of
30 the computation under paragraph (5) of subdivision (c).

31 (D) From the preliminary amount described in subparagraph
32 (A), a deduction shall be made corresponding to the amounts
33 derived in subparagraphs (B) and (C), and the remainder shall be
34 the funded amount per noncredit FTES for 1991–92.

35 (E) Changes in noncredit FTES shall result in adjustments to
36 revenues as follows:

37 (i) Increases in noncredit FTES shall result in an increase in
38 revenues in the year of the increase and at the average rate per
39 noncredit FTES.

(ii) Decreases in noncredit FTES shall result in a revenue reduction in the year following the decrease and at the average rate per noncredit FTES.

(iii) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in noncredit FTES during the three years following the initial year of decrease in noncredit FTES if there is a subsequent increase in FTES.

(4) Except as otherwise provided by statute, current categorical programs providing direct services to students, including extended opportunity programs and services, and disabled students programs and services, shall continue to be funded separately through the annual Budget Act, and shall not be assumed under budget formulas of program-based funding.

(5) District revenues shall be determined based on systemwide funding standards within the categories, and revenue adjustments shall occur based on distinct measures of workload applicable to each category.

(c) Workload measures applicable to each category shall be established with the following measures to be provided:

(1) For credit instruction, the workload measure shall be the credit FTES. Changes in credit FTES shall result in adjustments in revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average FTES.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(2) For instructional services and libraries, the workload measure shall be the credit FTES. Changes in credit FTES with respect to instructional services and libraries shall result in adjustments to revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average rate per FTES.

1 (B) Decreases in FTES shall result in a revenue reduction in
2 the year following the decrease and at the district's average per
3 FTES.

4 (C) Districts shall be entitled to restore any reductions in
5 apportionment revenue due to decreases in FTES during the three
6 years following the initial year of decreases in FTES if there is a
7 subsequent increase in FTES.

8 (3) For student services, the workload measure shall be based
9 on the numbers of credit students enrolled (headcount).

10 Changes in headcount shall result in adjustments to revenues as
11 follows:

12 (A) Increases in headcount shall result in an increase in
13 revenues in the year of the increase at the statewide average per
14 headcount.

15 (B) Decreases in headcount shall result in a revenue reduction
16 in the year following the decrease at the district's average per
17 headcount.

18 (C) Districts shall be entitled to restore any reductions in
19 apportionment revenue due to decrease in headcount during the
20 three years following the initial year of decrease in headcount if
21 there is a subsequent increase in headcount.

22 (4) For maintenance and operations, the workload measure
23 shall be based on the number of square feet of owned or leased
24 facilities. Changes in the number of square feet shall be adjusted
25 as follows:

26 (A) Increases in the number of square feet shall result in an
27 increase in revenue in the year that the increase occurs and at the
28 average per square foot.

29 (B) Decreases in the number of square feet shall result in a
30 decrease in revenue beginning July 1 of the first full year in
31 which the square feet are no longer owned or leased and at the
32 average rate per square foot.

33 (5) For institutional support, a single fixed percentage which
34 shall apply to all districts shall be established based on the
35 pattern from the most recent data. The percentage shall be
36 obtained from statewide data by comparing expenditures for this
37 category with the total revenue for all five categories.

38 (d) Funding standards, subject to the conditions and criteria of
39 this section, shall be established by the board for the various
40 categories of operation established pursuant to subdivision (b). In

1 consultation as required by subdivision (e) of Section 70901, the
2 board of governors shall annually request program improvement
3 moneys to assist districts in meeting these standards.

4 (e) To the extent that funding is provided in the annual budget,
5 revenue adjustments shall be made to reflect cost changes, using
6 the same inflation adjustment as required for school districts
7 pursuant to subdivision (b) of Section 42238.1.

8 (f) An adjustment for economies of scale for districts and
9 colleges shall be provided.

10 (g) The statewide increase in workload of FTES and
11 headcount shall be, at a minimum, the rate of change of the adult
12 population as determined by the Department of Finance, and may
13 be increased through the budget process to reflect other factors,
14 including statewide priorities, the unemployment rate, and the
15 number of students graduating from California high schools. The
16 allocation of changes on a district-by-district basis shall be
17 determined by the board of governors.

18 (h) For fiscal year 1991–92 or on the date Section 84750 is
19 implemented by the board of governors in accordance with
20 Section 70 of Chapter 973 of the Statutes of 1988, whichever is
21 later, all districts shall receive at least the amount of revenue to
22 which they would have been entitled pursuant to Article 1
23 (commencing with Section 84700) of Chapter 5 of Part 50.
24 Thereafter, allocations shall be made pursuant to this section, as
25 implemented by the board of governors pursuant to the annual
26 State Budget.

27 (i) Except as specifically provided by statute, regulations of
28 the board of governors for determining and allocating the state
29 general apportionment to the community colleges may not
30 require district governing boards to expend the allocated
31 revenues in specified categories of operation or according to the
32 workload measures developed by the board of governors.

33 (j) As used in this section:

34 (1) “Criteria” means the definitions of elements of institutional
35 practice or activity to be included in the categories of operation
36 of community college districts.

37 (2) “Program improvement” means an increase in revenue
38 which is allocated to all districts to fund standards adopted
39 pursuant to subdivision (d). Program improvement also means an

1 increase in revenue allocated to low revenue districts to bring
2 them closer to the statewide average.

3 (3) “Standard” means the appropriate level of service in a
4 category of operation of the community college districts.

5 *(k) This section shall remain in effect only until July 1, 2006,*
6 *and as of that date is repealed, unless a later enacted statute,*
7 *that is enacted before July 1, 2006, deletes or extends that date.*

8 SEC. 2. Section 84750.5 is added to the Education Code, to
9 read:

10 84750.5. (a) *The board of governors, in accordance with the*
11 *statewide requirements contained in paragraphs (1) to (10)*
12 *inclusive, of subdivision (d), and in consultation with*
13 *institutional representatives of the California Community*
14 *Colleges and statewide faculty and staff organizations, so as to*
15 *ensure their participation in the development and review of*
16 *policy proposals, shall develop criteria and standards for the*
17 *purposes of making the annual budget request for the California*
18 *Community Colleges to the Governor and the Legislature, and*
19 *for the purpose of allocating the state general apportionment*
20 *revenues.*

21 (b) *In developing the criteria and standards, the board of*
22 *governors shall utilize and strongly consider the*
23 *recommendations and work product of the “System Office*
24 *Recommendations Based on the Report of the Work Group on*
25 *Community College Finance” that was adopted by the board at*
26 *its meeting of March 7, 2005. The board shall complete the*
27 *development of these criteria and standards, accompanied by the*
28 *necessary procedures, processes, and formulas for utilizing its*
29 *criteria and standards, by March 1, 2006, and shall submit on or*
30 *before that date a report on these items to the Legislature and the*
31 *Governor.*

32 (c) *It is the intent of the Legislature in enacting this section to*
33 *improve the equity and predictability of general apportionment*
34 *and growth funding for community college districts in order that*
35 *the districts may more readily plan and implement instruction*
36 *and related programs, more readily serve students according to*
37 *the policies of the state’s master plan for higher education, and*
38 *enhance the quality of instruction and related services for*
39 *students.*

1 (d) The board of governors shall develop the criteria and
2 standards within the following statewide minimum requirements:

3 (1) The calculations of each community college district's
4 revenue level for each fiscal year shall be based on the level of
5 general apportionment revenues (state and local) the district
6 received for the prior year plus any amount attributed to a deficit
7 from the adopted standards to be developed pursuant to this
8 section, with revenue adjustments being made for increases or
9 decreases in full time equivalent students (FTES), for
10 equalization of funding per credit FTES, for necessary alignment
11 of funding per FTES between credit and noncredit programs, for
12 inflation, and for other purposes authorized by law.

13 (2) The funding mechanism developed pursuant to this section
14 shall recognize the need for community college districts to
15 receive an annual allocation based on the number of colleges
16 and comprehensive centers in the district. In addition to this
17 basic allocation, credit FTES shall be funded at a rate not less
18 than the rate above which fall not less than 10 percent of the
19 total statewide funded credit FTES.

20 (3) Funding for noncredit instruction shall be provided as
21 follows:

22 (A) Beginning in the 2006–07 fiscal year, except as provided
23 in subparagraph (B), noncredit instruction shall be funded at a
24 uniform rate of ____ dollars (\$____) per FTES, adjusted for the
25 change in the cost-of-living provided in the annual budget acts
26 for the 2005–06 and 2006–07 fiscal years.

27 (B) The board of governors shall adopt criteria and standards
28 for the identification of noncredit courses for which the funding
29 rate to be provided shall be the same as the minimum funding
30 rate per credit FTES specified in paragraph (2), minus the
31 statewide average enrollment fee revenue per credit FTES. The
32 criteria and standards shall be based on recommendations from
33 the chancellor, the statewide academic senate, and the statewide
34 association of chief instructional officers. The noncredit courses
35 to be identified for this higher rate of funding should include
36 suitable courses that meet one or more of the courses described
37 in paragraphs (2), (3), (4), and (6) of subdivision (a) of section
38 84757.

39 (4) Except as otherwise provided by statute, current
40 categorical programs providing direct services to students,

1 *including extended opportunity programs and services, and*
 2 *disabled students programs and services, shall continue to be*
 3 *funded separately through the annual Budget Act, and shall not*
 4 *be assumed under the budget formula otherwise specified by this*
 5 *section.*

6 *(5) For credit and noncredit instruction, changes in FTES*
 7 *shall result in adjustments in district revenues as follows:*

8 *(A) Increases in FTES shall result in an increase in revenues*
 9 *in the year of the increase and at the amount per FTES provided*
 10 *for in paragraph (2) or (3), as appropriate, including any*
 11 *cost-of-living adjustment authorized by statute or by the annual*
 12 *Budget Act.*

13 *(B) Decreases in FTES shall result in revenue reductions*
 14 *made over a three-year period beginning in the year following*
 15 *the initial year of decrease in FTES.*

16 *(C) Districts shall be entitled to the restoration of any*
 17 *reductions in apportionment revenue due to decreases in FTES*
 18 *during the three years following the initial year of decrease in*
 19 *FTES if there is a subsequent increase in FTES.*

20 *(6) Revenue adjustments shall be made to reflect cost changes,*
 21 *using the same inflation adjustment as required for school*
 22 *districts pursuant to subdivision (b) of Section 42238.1. These*
 23 *revenue adjustments shall be made to the college and center*
 24 *basic allocations, credit and noncredit FTES funding rates, and*
 25 *categorical programs as authorized by statute, and shall include*
 26 *an adjustment for the cost-of-living adjustment that was not*
 27 *provided for community colleges in the 2003–04 fiscal year.*
 28 *Revenue adjustments shall be made to include an additional one*
 29 *percent annual adjustment for core operational and institutional*
 30 *needs, applied to the college and center basic allocations and the*
 31 *credit and noncredit FTES funding rates.*

32 *(7) The statewide increase in budgeted workload FTES shall*
 33 *be, at a minimum, sufficient to fund the sum of the projected*
 34 *increases in FTES growth caps for the community college*
 35 *districts. The board of governors shall adopt criteria for the*
 36 *setting of annual growth caps for the districts that recognize*
 37 *expected local changes in adult population, students graduating*
 38 *from high school, a district's primary county unemployment rate,*
 39 *and effects of new state-supportable facilities. When calculating*
 40 *the FTES growth rates for community college districts pursuant*

1 to this section, the chancellor shall consider the quantity of FTES
2 served by each district that was not funded by the state in at least
3 three preceding fiscal years, provided that this adjustment shall
4 not exceed 8 percent of the FTES funded for a district in the
5 preceding fiscal year. The statewide increase in workload
6 budgeted for an increase in FTES, and authorized changes in
7 district growth caps, also shall include adjustments for statewide
8 deficits for growth funding that prevented full funding of a
9 district's growth cap in any of the three prior budget acts.

10 (8) For the 2006–07 fiscal year or for the first fiscal year for
11 which this section is implemented by the board of governors,
12 whichever is later, all districts shall receive at least the amount
13 of revenue received for the prior fiscal year, adjusted for the
14 cost-of-living adjustment specified in subdivision (b) of Section
15 42238.1 and adjusted for the actual increase in FTES not to
16 exceed the district's funded growth cap. Thereafter, allocations
17 shall be made pursuant to this section, as implemented by the
18 board of governors pursuant to the annual Budget Act.

19 (9) The board of governors shall develop criteria and
20 standards for the provision of an annual grant of at least five
21 hundred thousand dollars (\$500,000) for each qualifying district
22 for the purposes of ensuring the ability of those community
23 college districts to meet postsecondary education needs of
24 residents of the state's rural areas. The board of governors also
25 shall seek matching federal funds for these purposes.

26 (10) Except as specifically provided in statute, regulations of
27 the board of governors for determining and allocating the state
28 general apportionment to the community college districts shall
29 not require district governing boards to expend the allocated
30 revenues in specified categories of operation or according to the
31 workload measures developed by the board of governors.

32 (e) This section shall become operative on July 1, 2006.

33 SEC. 3. Section 84760 of the Education Code is amended to
34 read:

35 84760. Notwithstanding any other law:

36 (a) (1) Equalization funds appropriated in the annual Budget
37 Act shall be allocated to districts in accordance with this section.
38 These funds shall not be allocated to any district whose total
39 local property taxes and student fee revenues exceed the revenue
40 limit for that district under program-based funding, unless the

1 district's funded per-credit full-time equivalent students (FTES)
2 revenue derived from these revenue sources falls below the 90th
3 percentile in funding per-credit FTES for comparably sized
4 districts, as defined in subdivision (b).

5 (2) Funds shall be allocated by the chancellor within 30 days
6 of enactment of the annual Budget Act.

7 (b) For purposes of distributing funds, the chancellor shall
8 define districts as either large, medium, or small, in accordance
9 with all of the following:

10 (1) A district is large if its total of funded credit FTES exceeds
11 6,250, based on the 2003–04 second principal apportionment, as
12 modified for any subsequent growth adjustments.

13 (2) A district is medium if its total of funded credit FTES
14 exceeds 4,000 but does not exceed 6,250, based on the 2003–04
15 second principal apportionment, as modified for any subsequent
16 growth adjustments.

17 (3) A district is small if its total of funded credit FTES does
18 not exceed 4,000 FTES, based on the 2003–04 second principal
19 apportionment, as modified for any subsequent growth
20 adjustments.

21 (c) (1) The chancellor shall compute an equalization
22 adjustment for each applicable large community college district,
23 so that no district's 2003–04 fiscal year base funding per credit
24 FTES is less than the 2003–04 fiscal year base funding per credit
25 FTES above which fall not less than 10 percent of the total
26 statewide funded credit FTES for large districts.

27 (2) The chancellor shall compute an equalization adjustment
28 for each applicable medium district, so that base funding per
29 credit FTES is not less than the base funding per credit FTES
30 equalization target determined for large districts under paragraph
31 (1), multiplied by 1.03. This 3 percent adjustment for the medium
32 district equalization target is intended to reasonably recognize
33 diseconomies of scale for these districts.

34 (3) The chancellor shall compute an equalization adjustment
35 for each applicable small community college district, so that base
36 funding per credit FTES is not less than the base funding per
37 credit FTES equalization target determined for large districts in
38 paragraph (1), multiplied by 1.10. This 10 percent adjustment for
39 the small district equalization target is intended to reasonably
40 recognize diseconomies of scale for small districts, and

1 approximates the difference in targets utilized by the state for
2 elementary and secondary unified school district equalization
3 allocations.

4 (d) The chancellor shall calculate the total equalization
5 funding necessary to bring all districts up to the target funding
6 per FTES levels determined pursuant to subdivision (c), and shall
7 prepare a simulation of the allocations to each eligible district in
8 this situation.

9 (e) If the amount appropriated for equalization in the annual
10 Budget Act is less than the amount identified pursuant to
11 subdivision (d), the chancellor shall prorate available
12 equalization funding for each eligible district in proportion to the
13 amount of funds necessary to fully fund those districts.

14 (f) The chancellor may promulgate regulations on an
15 emergency basis to the extent necessary to complete the adoption
16 of regulations to implement this section within the 2004–05 fiscal
17 year.

18 (g) The chancellor shall provide a report by October 1, 2004,
19 to the Joint Legislative Budget Committee, the appropriate policy
20 and fiscal committees in each house of the Legislature, the
21 Department of Finance, and the Legislative Analyst specifying
22 the total calculated equalization cost for each eligible district as
23 well as the prorated allocation provided to each eligible district in
24 the 2004–05 fiscal year. The report shall include an evaluation of
25 options and recommendations for revising allocation practices for
26 funds available in subsequent years through restorations in
27 workload, growth funding, and cost-of-living adjustments that
28 further the objective of equalizing funding, consistent with the
29 methodology in this section. The report shall also specify any
30 regulatory and statutory changes necessary to effect the
31 recommendations in future fiscal years.

32 (h) *This section shall remain in effect only until July 1, 2006,*
33 *and as of that date is repealed, unless a later enacted statute,*
34 *that is enacted before July 1, 2006, deletes or extends that date.*